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Forests Seen as Major Factor In Northwest Economy *

By STUART MOIR

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The extent and wealth of our forests is a matter of the greatest significance for the future of the forest industries and the economy of the Pacific Northwest. Our nation and the world today need lumber and other forest products in quantities never before experienced in human history.

We cannot consider the Pacific Northwest apart from the rest of the United States; nor can we consider its economic and forest future without reference to world-wide affairs. Under the direction of the United Nations, the great and increasing demand for better conditions of life for large segments of the earth's population is destined to have an impact on this region. We cannot live unto ourselves alone, nor on a regional economy isolated from the rest of the world.

I have just read a most interesting report entitled *Partners in Progress*, presented to President Truman by the International Development Advisory Board, headed by Nelson A. Rockefeller. I was impressed by the fact that a conscious effort is being made to meet the demand for better conditions of life in underdeveloped areas of the world. One of the essential demands is for improved housing, which calls for lumber. Furthermore, as the general standard of literacy is raised in the underdeveloped parts of the world, the demand for paper will be phenomenal, with resultant step-up in pulpwood demand. The 1950 United States consumption of paper for all purposes is estimated to approximate 350 pounds per capita. In Asiatic countries the consumption of paper is less than 2 pounds per person. The Pacific Northwest, because of its strategic location as a site for paper production and products manufacture, should lead in supplying the Asiatic market.

The Northwest region is a timber-wealthy region. The forests are of vast extent and are composed of trees of size and volume which yield on an acre five times as much lumber as an acre of eastern and midwestern forests. This is largely due to climate and species combining to provide very peculiarly favorable circumstances of growth. This advantage applies all the more to the growing of the second crop after our virgin timber has been harvested.

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* This article is based on a paper given by Mr. Moir at the Third Institute of Northwest Resources held in Corvallis on June 19, 1951. The full text of Mr. Moir's paper will be published in the proceedings of the conference, which will be issued by Oregon State College in the fall of 1951.

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Construction Loan Market in Portland Studied *

By W. W. PYLE

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The construction loan market for homes in the Portland area consists principally of commercial banks, savings and loan associations, insurance companies, and mortgage loan companies which advance money to builders constructing houses for sale and to owners having their own homes built. Generally, the first three of these types of lending institutions make construction loans in order to secure permanent home mortgages for their own investment portfolios. As a general rule, commercial banks, savings and loan associations, and insurance companies lend funds from their own assets. Mortgage loan companies, on the other hand, are predominantly mortgage brokers who act as agents of primary lenders, such as insurance companies, and make construction loans in order to secure, at a later date, permanent mortgages to be sold to or to be serviced for their correspondents. Generally, the construction loan funds used by mortgage loan companies are secured either from their correspondents or from commercial banks.

Operative builders (those building houses for sale) obtain the bulk of their loans from mortgage loan companies and insurance companies. Owners of houses being built under custom contract rely mainly on commercial banks and savings and loan associations. Most lenders, however, advance funds to both types.

Mortgage loan companies generally lead other financial institutions in the volume of construction loans outstanding. This is to be expected, since the chief customer of the mortgage loan company is the operative builder who dominates in volume of construction and in financial needs.

To confirm the leadership of mortgage loan companies, it was necessary to study the records of the various types of lenders. Mere examination of mortgage filings in Multnomah County is misleading because of the method of filing mortgages on dwellings constructed by operative builders. The mortgage is filed first in the name of the builder and

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* The studies which form the basis for this report were made under a contract with the Office of the Administrator, Housing and Home Finance Agency, authorized by Title III of the Housing Act of 1948, as amended. The substance of such studies is dedicated to the public. The accuracy of statements or interpretations contained herein is solely the responsibility of the author and publisher. This paper is based on a study made in the summer of 1950. All descriptions of practices, institutional attitudes, etc. apply to that period and not to the present time.

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Construction Loan Market in Portland Studied

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then refiled in the name of the purchaser at the time of the sale, a procedure which results in two mortgage filings for one permanent mortgage made.

In no case, from the lender's standpoint, does there seem to be a shortage of construction loan money in the Portland area. The mortgage loan companies appear to have lines of credit from banks and insurance companies in excess of their actual needs. The insurance companies that buy mortgages from mortgage loan companies do not give evidence of having filled their needs. The banks and savings and loan associations seem to have ample money for mortgage investment.

During the summer of 1950 operators building houses for sale accounted for the greater share of houses constructed in the Portland area. Most of these houses were in the $7,000 to $9,500 price range, and could be sold only if the financing involved a small down payment. This usually required FHA or VA financing. Some operators, before the outbreak of the Korean hostilities, were beginning to have difficulty finding purchasers with sufficient cash for the small down payment. It was frequently reported in the area, at that time, that some building operators were loaning down payments to prospective purchasers on unsecured notes.

The mortgage loan companies are primarily interested in loans to builders who construct houses for sale, because this field is most productive of FHA mortgages, a type of paper that is readily salable to their insurance company correspondents. On the other hand, the builder goes to the mortgage loan company for financing because: (1) He is often new to the construction business. Many operators were, before 1946 or 1947, either skilled building tradesmen or in some business not related to construction; consequently, they do not have the reputation or financial position to enable them to turn to banks for financing. (2) The builder likes the services given by mortgage loan companies. These services frequently consist of: (a) a liberal schedule of cash advances during construction, which enables the builder to operate with but little working capital; (b) the processing of FHA and other papers, which the builder is often unable to do for himself; and (c) architectural advice, which enables him to build a more salable house. The mortgage companies, through these services, have enabled many builders to grow into quite large operators during the past four or five years. For this reason, these men are happy to pay a relatively high service charge to mortgage loan companies for construction loans.

In their relations with builders, the most prominent characteristic of mortgage loan companies is their liberal system of advances during construction. They will usually loan the full FHA loan commitment and they generally advance money to the builder as fast as his construction progresses, weekly or almost daily if necessary. This liberal system enables many small operators, who have only enough funds to buy a lot, to build a house for sale on that lot.

The methods of advancing construction money by mortgage loan companies seem to fall into three classifications:

(1) Large lump-sum advances to financially strong and proven builders. This group of builders seems able to secure funds merely upon request and without an inspection of the progress of construction. Needless to say, this group of builders is very small in number; but it accounts for a large share of the total construction in the area.

(2) Lump-sum advances coupled with the stage of completion of the house or project. Under this method the contractor informs the mortgage company of the stage of completion at which he wishes an advance; when that time arrives, the mortgage company inspects the work, and, if it is satisfactory, makes the advance. Most contractors are in this class. It is of interest to note that some mortgage companies have a very exact formula providing the percentage of the total of the construction loan that is advanced at each stage of completion, while other companies depend upon their knowledge of construction costs and their inspections to keep the advances within a reasonable relationship to the cost of construction completed.

(3) Financially weak and undependable builders, who are placed on a voucher system of payment. Under this system the builder presents his bills and invoices to the mortgage company; the company inspects the project to see that the materials and labor represented by the bills and invoices are satisfactorily incorporated therein; if satisfactory, the mortgage company pays the bill or invoice directly to the supplier. At the time of payment, the mortgage company secures a signed voucher from the supplier which serves as a receipt and and a waiver of leins. However, some mortgage loan companies do not restrict the use of the voucher system to financially weak builders, but use the system quite generally.

As a general rule, mortgage loan companies in the Portland area charge a higher service fee (from 1 per cent to 2 per cent on the face of the loan) for construction funds than do most insurance companies, commercial banks, or savings and loan associations. They are perhaps justified in this because they frequently provide more services to the builders and these additional services create higher operating costs.

Other financial institutions dealing directly with builders constructing houses for sale follow somewhat similar methods of processing loans. They frequently charge a smaller service fee, and this enables them to be selective of the builders with whom they deal.

Commercial banks and savings and loan associations appear to dominate the field of construction loans to the owners of custom contract homes. Most banks and savings and loan associations prefer this type of mortgage for their own investment portfolios because they feel it to be superior

The Buying Power of the State of Oregon 1951

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Counties, Cities	Estimated Population 1-1-51 Total (in thousands)	Families (in thousands)	Estimated Retail Sales—1950 Dollars (in thousands)	Four Store Groups (in thousands of dollars) Food	General Mdse.	Drug	Furn. House. Radio	Wholesale Sales	Est. Effective Buying Income 1950 Net Dollars (in thousands)	Gross Dollars from Farming—1950 Estimates (in thousands)
Baker	16.3	4.9	$ 17,534	$ 3,568	$ 2,055	$ 455	$ 764	.....	$ 19,120	$ 8,097
Baker	9.5	3.0	15,307	2,956	1,652	388	*	.....	11,486	.....
Benton	32.1	10.0	27,068	5,720	2,823	481	1,382	.....	37,910	7,195
Corvallis	16.5	5.4	23,265	4,077	2,391	*	*	5,162	23,793	.....
Clackamas	88.2	27.3	53,687	13,419	2,840	1,393	2,892	.....	98,255	19,848
Oregon City	7.8	2.6	19,708	3,976	1,403	628	1,839	1,963	9,968	.....
Clatsop	31.2	10.4	36,287	9,820	1,976	735	1,589	.....	44,928	2,677
Astoria	12.4	4.1	24,704	5,174	1,694	446	1,321	10,568	18,625	.....
Columbia	23.3	7.1	17,598	5,970	968	376	939	.....	17,964	5,700
Coos	42.4	13.2	48,550	11,708	3,648	956	3,184	.....	50,414	6,487
Coos Bay-North Bend	12.2	4.1	28,377	5,579	2,619	505	1,976	16,808	17,775	.....
Coos Bay	6.1	2.0	22,058	3,778	2,102	400	1,356	.....	8,930	.....
Crook	9.0	2.6	6,940	1,896	246	190	344	.....	5,967	5,247
Curry	6.1	2.2	4,997	1,502	451	90	151	.....	4,764	2,475
Deschutes	22.1	6.7	32,783	6,419	1,845	637	1,615	.....	23,846	5,092
Bend	11.5	3.7	18,471	4,039	1,365	422	1,357	9,409	13,697	.....
Douglas	55.1	17.6	49,197	13,497	4,084	1,086	2,638	.....	54,659	9,290
Roseburg	8.4	2.5	24,868	4,059	2,976	577	1,683	12,432	8,543	.....
Gilliam	2.9	.8	3,803	478	241	91	*	.....	4,130	7,591
Grant	8.4	2.7	7,305	1,530	819	126	457	.....	8,450	4,002
Harney	6.2	1.9	7,711	1,490	499	171	*	.....	7,719	3,697
Hood River	13.1	4.0	13,132	3,396	1,257	245	630	.....	15,694	16,010
Jackson	59.6	19.2	65,290	14,518	5,999	1,381	3,684	.....	67,825	16,057
Medford	17.5	5.9	43,283	6,700	4,873	890	3,145	32,973	28,560	.....
Jefferson	5.6	1.7	4,133	725	196	*	*	.....	4,155	2,373
Josephine	26.7	9.7	29,417	6,725	2,163	732	1,048	.....	**23,816**	**6,433**
Grants Pass	8.1	2.9	21,976	4,307	1,843	*	867	8,516	9,785	.....
Klamath	42.8	12.8	59,111	11,877	6,371	1,397	2,731	.....	64,885	22,305
Klamath Falls	16.1	5.4	48,033	7,921	6,016	1,266	*	31,591	30,123	.....
Lake	6.7	2.2	9,056	1,713	716	345	245	.....	8,569	4,247
Lane	127.4	39.5	131,970	29,870	15,995	1,538	8,323	.....	156,447	19,266
Eugene	36.4	12.2	83,742	11,976	13,684	1,743	6,631	98,714	61,880	.....
Lincoln	21.6	7.2	19,860	5,745	993	303	873	.....	**19,570**	**1,580**
Linn	54.6	16.3	53,563	12,015	4,205	892	2,510	.....	49,358	18,553
Albany	10.2	3.3	26,287	4,844	2,692	443	1,295	12,551	9,782	.....
Lebanon	5.9	1.7	11,945	2,620	804	248	888	.....	6,242	.....
Malheur	23.5	6.4	25,212	3,374	2,925	559	1,092	.....	23,500	25,576
Ontario	4.5	1.2	13,389	1,534	1,482	295	700	.....	5,175	.....
Marion	102.3	31.7	107,360	20,882	12,150	2,259	6,960	.....	118,157	34,490
Salem	43.9	14.6	78,799	13,488	10,518	1,732	5,684	33,469	63,962	.....
Morrow	4.8	1.4	4,822	1,011	222	73	*	.....	5,174	9,536
Multnomah	477.2	165.5	638,497	131,157	129,062	11,942	33,620	.....	936,744	10,536
Portland	377.9	134.3	589,251	111,130	127,883	10,694	32,818	1,234,549	796,235	.....
Polk	26.7	7.9	15,772	4,208	1,436	354	825	.....	20,319	12,814
Sherman	2.3	.8	2,247	402	.....	27	*	.....	3,264	7,497
Tillamook	18.8	5.9	17,986	4,809	1,006	491	654	.....	16,469	6,529
Tillamook	3.7	1.1	12,050	2,117	823	338	562	.....	3,955	.....
Umatilla	42.0	13.0	43,053	8,875	2,418	1,229	1,364	.....	48,720	32,863
Pendleton	11.9	3.8	23,909	3,730	1,683	626	958	.....	14,530	.....
Union	18.2	5.6	19,341	3,888	1,844	624	1,072	.....	22,113	8,786
La Grande	8.7	2.8	14,944	2,646	1,669	*	*	5,342	12,711	.....
Wallowa	7.4	2.1	6,892	1,576	406	154	314	.....	8,221	6,582
Wasco	15.8	4.8	22,554	3,998	1,978	486	1,010	.....	18,786	9,632
The Dalles	7.8	2.7	19,477	3,567	1,390	*	1,010	7,181	11,099	.....
Washington	62.3	19.4	42,820	11,724	2,792	890	1,282	.....	43,485	18,712
Hillsboro	5.2	1.8	15,562	2,203	1,009	303	468	.....	4,103	.....
Wheeler	3.3	.9	1,778	271	503	*	*	.....	2,693	1,808
Yamhill	34.0	10.6	32,159	7,157	2,659	656	1,533	.....	30,532	17,666
McMinnville	6.7	2.1	14,863	2,559	1,723	255	840	.....	7,698	.....
Total, above cities	636.7	219.1	$1,165,891	$209,401	$191,675	$21,694	$63,422	$1,504,420	$1,160,882	.....
State total	1,540.0	496.0	1,679,485	366,933	219,791	$34,599	$86,364	.....	$2,086,622	$397,249

* Withheld to avoid disclosure.

to a mortgage on a house built for sale. They are of the opinion that mortgages on custom contract homes are superior because in almost every case the home owner has 20 per cent or more equity in the house and the loan is usually of the "conventional" type for a period less than twenty years. These conditions are, in most cases, impossible for operators building houses for sale. Since most banks and savings and loan associations make loans exclusively for their own portfolios, they usually limit the volume of loans having but 5 per cent, 10 per cent, or 15 per cent owner equity, and running for 25 or 30 years.

The owner of a custom contract house under construction is generally having a home built that he has planned over a period of years during which he has saved money for his equity. In saving for his equity he has dealt with a commercial bank or a savings and loan association; he therefore naturally turns to this bank or loan association for the construction loan on his home.

Custom contract loans seem to be handled in the same general manner by all agencies. The bank or savings and loan association makes the loan directly to the owner of the prospective house. There is actually no separate construction loan, although there is a period of three or four months during construction when the owner does not make amortizing payments on the principal and the interest is computed on only the actual funds disbursed.

Banks and savings and loan associations seem to favor only three or four inspections during construction. However, they will make as many inspections as they feel necessary for their protection. The banks favor disbursing funds

in four or five lump sums corresponding to stages of completion. The lump sums are disbursed upon the signature of the owner and the architect or contractor certifying that the house has reached the required stages of completion. Inspections are supposed to correspond with advances. Some savings and loan associations seem to favor direct disbursements for materials and labor. They make disbursements on vouchers signed by the owner and vendor, to which itemized bills are attached. The voucher is so worded as to become a receipt and a waiver of liens. Inspections before disbursements are made for the protection of the loan association.

Builders fail to fall into well-defined groups; generally there are two classes, operators building houses for sale and those who do a custom contract business. The former build houses either singly or in group projects for sale, while the custom contractors build houses on the owner's property for a fixed sum. However, the builder of houses for sale may take on some of the characteristics of the custom contractor. He may have one or two basic plans, each of which is capable of several variations. He builds a model of these basic plans and proceeds to sell houses therefrom. It is his desire to sell each house from the model before starting construction. When the sale is made he enters into a contract to reproduce the model house for the buyer.

Almost without exception, the smaller and medium-sized builders of houses for sale do some custom contract work and all custom contractors seem to build houses for sale occasionally. Generally each prefers one field or the other, but the primary motive is to make a profit wherever the opportunity presents itself. It is quite uncommon to find the very large builders of houses for sale doing custom contract work.

It is even more difficult to classify builders according to their financial strength and stability. In both the custom contract and building for sale fields, operators range from those financially weak and unstable to those financially strong enough to complete a project of houses without borrowing funds.

Generally the requirements of working capital are smaller for the custom contract builder because he is depending upon the capital and credit of the home owner. The exact amount of the contractor's own working capital invested in a dwelling is almost impossible to measure, even for contractors keeping good records. The best records are kept by large builders of houses for sale, but these records are not dependable for an individual house because the workmen and the contractor are prone to carry materials from house to house without making a record. Naturally this disrupts the cost records and makes the cost of one house appear several hundred dollars more or less than that of a like house next door. An attempt to obtain an answer to the question, in the case of most small contractors, is even more difficult. Usually the small operator keeps poor records. His own answer usually is something like this, "Well, I sold that house for $10,000. Let's say I made 10 per cent profit, that would make it cost $9,000. I borrowed $7,000, so I had $2,000 of my own money in it." He forgets that he depended upon the building supply company for credit from one construction advance to the next. He may actually have had no more than the $500 or $600 cost of the lot invested.

Although mortgage companies deal primarily in government-insured mortgages on houses built for sale, they do make custom contract loans. Likewise, although banks and savings and loan associations deal heavily in custom contract mortgages, they also make loans to builders of houses for sale. In either case the lending institution deals with the minor share of its business in the same manner in which it deals with the major share. It is quite common for the custom contractor to enter the construction for sale market. There are times when he does not have sufficient custom contract work to keep all of his crew occupied. If possible, he builds a house for sale in order to keep his crew together. He naturally turns to his normal source of funds to finance the house. If that normal source is a bank or savings and loan association, that institution is happy to finance the house regardless of its normal policy, because the contractor is a source of new loan contacts.

Forests Seen as Major Factor In Northwest Economy

(Continued from page 1)

Washington and Oregon have 73,900 square miles of forested land, an area larger by some 7,000 square miles than the whole of New England. Of this area, it is estimated that about 39.3 per cent, or 29,000 square miles, is covered by merchantable timber and the remainder by young growth. The states have a wide divergence of physical characteristics and diversity of operating conditions, which create a multitude of problems in forestry, operation, and management which test man's ingenuity and resourcefulness and demand an application of the best science and skill which the industry knows how to apply.

In all, it is estimated that there are about 630,894 million board feet of accessible and merchantable timber, 37 per cent of which is privately owned and 63 per cent public timber. This timber includes the commercial species of Douglas fir, Ponderosa pine, spruce, hemlock, the true firs, cedar, lodgepole pine, and other species, and represents 39 per cent of the standing timber in the United States. From these resources, Oregon and Washington produce 30.6 per cent of the nation's lumber supply and about 25 per cent of the total requirements for all forest products. In addition to lumber, these products include plywood, pulp and paper, shingles, doors, cooperage, railroad ties, and a multitude of other wood products. Hardwood species amount to less than one per cent of the commercial timber volume of the region; nevertheless, these species have considerable potential value for pulping and use in furniture and veneers.

The withdrawal from our timber capital was proceeding at a rate of more than 12,353 million board feet per year in 1948. Currently, it is in excess of this amount by an estimated 10 per cent. We do not have an exact estimate of our forest balance sheet. We do know, for certain, that in some areas we are harvesting far in excess of our annual growth. We are also operating further and further away from the centers of manufacture with resulting increases in transportation costs. We know that the size of our sawlogs is, on the average, decreasing. Our losses from fire, insects, and disease are tremendous. Currently the devastating spruce budworm has infested over one million acres of forest tim-

berland in Oregon. Fires in Oregon and Washington last year burned over 105,000 acres, causing an estimated financial loss of $817,750.

There are some 290,000 people working in these forest resources, and applying some of the most complicated techniques of the day to produce and fabricate a wide variety of wood and paper products for consumer consumption. In the two states six out of ten employable persons, other than those in agriculture, are employed in the forest-products industries. The value of the forest products, produced in some eighteen industries in which wood is the major material used, was in excess of $2 billion in 1948. The annual net value of Pacific Northwest forest products has been recently estimated at roughly $500 for every resident of the region.

In addition to the persons directly dependent upon forest-industry payrolls, there are vast numbers who are dependent upon the prosperity and activity of the forest industries. Many industries would cease to exist and others would drastically curtail operations if the forest industries should become dead. Freight and ship tonnage would be lacking; the extent of this loss can be judged by the fact that, as an average over the years, 70 per cent of the outbound rail-freight tonnage originating in Oregon and Washington was derived from the forest industries; they also provided 80 per cent of all outbound waterborne traffic.

Fifty per cent of all tonnage handled by the railroads in these states, inbound and outbound, is forest products. There are 45,000 men and women employed by the railroads in Washington and Oregon. Without this tonnage, half of these people, or 22,500 men and women now employed by the railroads, would be unemployed.

By way of comparison with essential products in other parts of the country, the following data are significant in showing the dominant position of the forest industries in the ranks of the nation's leaders. In 1948, according to figures of the U. S. Department of Agriculture, the value of the Northwest forest products was 1.36 times that of the corn crop of Kansas and North Dakota; 2.2 times the cotton crop of Texas and Mississippi; and 6.3 times the citrus crop of the United States.

There are numerous indirect and intangible values derived from our forest resources which it is impossible to evaluate in dollars and cents, particularly their value from the viewpoint of water control and soil conservation—among the "multiple uses" of the forest.

The sustaining of all these values for future benefit depends upon the treatment which the forest receives today. Active attention is being paid to providing the forest for the future by gradually building them up to a permanent production status.

Farming the forests of the Pacific Northwest in an intensive way has become a sizable occupation during the past ten years. The managed harvesting of the forest and the restocking of the forest land to provide future tree crops, combined with full utilization of the tree crop and a minimum of waste in the woods, is practical forestry in operation and means that the production capacity of the forest will be maintained at a high level. Such management is in action throughout many of the major operating forests of the Northwest.

Notes...

ON THE SCHOOL OF BUSINESS ADMINISTRATION

- Between June 17 and June 23 the Western Institute for Commercial and Trade Executives was held at the University of Oregon. Classes were held in Commerce Hall. The Western Institute is sponsored by the University of Oregon, the University of Southern California, the University of Nevada, Whittier College, the United States Chamber of Commerce, and the Western Chamber of Commerce Executives' Association. The Institute is a formal program of classes followed by examinations for Chamber of Commerce secretaries.
- All the hurdles have now been cleared for the construction of a new building connecting Commerce Hall and Oregon Hall on the University campus. The new building will greatly augment the facilities available for the School of Business Administration and the social-science departments with which business administration is so closely associated.
- In June 441 seniors in business administration received their diplomas, and four graduate students in business were granted the Master of Business Administration degree.
- A special feature of the summer session work offered by the School of Business is work in business education. The program is primarily for high school teachers of commercial subjects. Miss Jessie M. Smith, who is in charge, has been doing graduate work in the field at Columbia University for the past two years.
- Mr. C. L. Kelly, without doubt the best-known professor of accounting in the state, retired this June. He will continue the active practice of accounting in Eugene.

Our hope lies in this region becoming the "nation's woodlot," a region in which our forest industries receive their raw material from "home-grown forests." The conditions of soil, climate, and rapidly growing species make the Pacific forests the most magnificent in the temperate zone, if not in the world. These forests produces quickly and early. In favorable localities, the growth may be 1,500 feet, board measure, per acre annually.

The public at large fails to see the felled tree in its true perspective and ignores the economic loss of trees dying from old age and disease. To the public the felled tree is a tragic gap in the forest. To the forester, it is, if properly cut, an opportunity for another tree to grow. The forester realizes that—as individuals cannot thrive properly in crowded tenements, as the older generations must eventually pass on and be replaced by the young, and as the dirt farmer thins and cultivates and eventually harvests his crops—so also must the trees of the forest be thinned and harvested if we are to receive the greatest good from our timberlands. He also knows that, as humans must be protected from accident and disease, so must the forests be protected from the great scourge, forest fire, and its running mates in depredation, insect pests and tree diseases.

Here is where the "tree farm" plays its part. The tree-farm sign, when posted on a highway, is proof that the lands in the area are being managed on sound forestry principles and the forest crop harvested in such a way as to continue the production of the growing timber.

Our economic thinking is too frequently clouded by sentiment. At the same time that we are clamoring for lumber and expansion all along the forest-industry front, we want

the primeval forest—for, fundamentaly, we like trees.

These Northwest states contain the mature timber which must bear the burden of bridging a national shortage until an adequate new crop is ripe, and they also contain harvested timberlands which, because of their suitability, demand encouragement in producing a new crop. Given a helping hand by the tree farmer, nature is able and willing to produce this new crop successfully and to assure the entire nation of a timber supply in perpetuity.

The people of the Northwest have a stake in this program as individuals. For whether the tree farmer is successful depends upon the help of you and the rest of the American people in preventing waste of the existing crop and in giving the next crop a chance to grow. You cannot get away from the use of wood in your everyday life, for wood is a factor in everything we do or live by. You are directly and vitally interested in what the tree farmer, the forest industries, and state, Federal, and private agencies are doing to protect these forests and to grow trees for tomorrow.

In Washington and Oregon, on May 31, 1951, the record shows 185 certified tree farms, covering 5,216,987 acres. The largest tree farm in the West is at Klamath Falls, Oregon, where over 575,000 acres are under skilled forest management. This is in the so-called pine region east of the summit of the Cascades. On the west side of the Cascades, in the Douglas-fir region of Oregon and Washington, one-third of all the industrial forest land and 28 per cent of the private forest land are operated as tree farms. The objective of each tree farm is to augment forest production. The prospects are that the Northwest, as the "nation's woodlot," will live up to its name.

Forest fire is still a major threat to the forest resources. Through cooperative effort of industry, governmental agencies, and public opinion, the fire hazard can be reduced and our losses from forest fire greatly lessened. Seneca, some nineteen hundred years ago, taught wisely when he said: "In a moment the ashes are made, but a forest is a long time growing." His warnings, however, are not sufficiently heeded by the public today, which is responsible for over 60 per cent of our forest fires. It is estimated that in Washington and Oregon the loss in the destruction of merchantable timber by fire is approximately $800,000 yearly. Although protection methods have been greatly improved, the hazard of devastation by fires grows yearly with the increase of human activity in the woods. All of the forest land in the Pacific Northwest is under organized protection, but it will take full cooperation of the public and of Federal and state agencies to make the system fully effective.

Public education in forestry and protection, at the grass roots, has been part and parcel of the conservation program from the beginnings of the forestry effort in this country. Here the "keep green" programs do their part. During a decade, these programs, originating in the West, have spread throughout the nation. As a result of this concentrated educational activity, which was started in Washington in 1940, every man, woman, and child in the Pacific Northwest has been made conscious of the urgent need to prevent forest fires. The results are evident in the reduced number of man-caused fires. The fire problem can be licked, and the "keep green" movement is helping to do it.

Only in very recent years has the tremendous yearly loss to the forest by insect depredation been properly recognized. The forest must wage a perpetual war for survival against these enemies. The combat continues from the time of germination of the tree seed until the tree is harvested. Nation-wide, the losses from pests are about three times the losses from fire. It is imperative that the skill and techniques of the entomologist and scientist be applied intensively to the insects and diseases with which our forests are continually threatened.

Diseases plague the trees of the forest, as well as mankind. Though not spectacular until they reach the epidemic stage, they are constantly undermining the vigor of our timber stands and exacting a heavy annual financial toll. The preserving of the good health of the forest is as much an essential job of forest management as harvesting the crop. To illustrate the extent of damage done by disease—the losses from heart rot in Douglas fir, in terms of log value, is at least $8,000,000 annually.

Added to problems of fire, insects, and disease is that of taxation, a major problem deserving of more detailed discussion than I can give here. "In this world today nothing is certain but death and taxes." So wrote Benjamin Franklin in 1789 to a friend in France. He was thinking with some apprehension of the future of the new nation under a Constitution that had just been put into operation. We may regard with much apprehension the present taxation situation.Taxation can be made an incentive or a deterrent to private land ownership. Under current systems we are actually penalizing the growing of new forests. Conditions which prohibit the profitable growing of forests crops and the maintenance of tree farms, large and small, need correcting if the Northwest is to achieve its full potential in forest production.

A survey of forestry performance, in terms of dollars and cents expended by the forest industries throughout the United States, was recently undertaken by the Western Forestry and Conservation Association. This survey revealed that the money spent per year for all categories of forest management and operation more than doubled during the period from 1944 to 1948. One most significant activity is the investment made by the forest industries in forest land to be devoted to the continuous production of forest crops on a sustained-yield basis. Protection expenditures showed a marked increase, running as high as $1.72 per acre. Forest management ran as high as 85 cents per acre. The amounts devoted to research and artificial reforestation are also on the rise.

The forestry bill must be paid by somebody. New forests will not be grown unless these bills are equitably distributed. No country ever grew new forests until it paid to do so. In the Northwest we believe that we have arrived at the day when it pays to grow trees as a crop.

Of course, the forest industries are not alone in their forestry undertaking. Working to protect and manage Federal and state forests and to help educate the people in the operation of state forest laws, Federal and state agencies are carrying a big financial and administrative burden. No agency or group concerned with the forest has a monopoly of the wisdom, skills, or ability to deal with it. The interdependence of the many elements that comprise the forestry activities of the nation make cooperation between all elements essential if the forest future is to be made secure.

"Guns With Butter" Program Mapped by Economists

National defense and higher living standards—guns and butter—are both within our reach, but only if we succeed in carrying through a realistic program of economic mobilization, say four of America's leading economists acting as a committee of the Twentieth Century Fund.

Members of the committee are John Maurice Clark (chairman), professor of economics, Columbia University; Theodore W. Schultz, chairman, Department of Economics, University of Chicago; Arthur Smithies, chairman, Department of Economics, Harvard University; and Donald H. Wallace, director of graduate program and professor of economics, Woodrow Wilson School of Public and International Affairs, Princeton University.

These four economists make up the Economic Stabilization Committee of the Twentieth Century Fund.

Their recommendations were prepared to accompany a report on *Defense without Inflation*, which was written by Albert G. Hart, professor of economics at Columbia University.

The economists call upon all of us to accept personal sacrifices and reduced consumption in the inital stages of rearmament. They say that, if we succeed in the first phase of economic mobilization, we have the chance to progress toward the twin goals of adequate defense and rising living standards.

The chief immediate needs, they hold, are pay-as-you-go taxation (with a Federal retail sales tax at least a possibility), limitation of bank credit (accepting some rise in the interest rate on government debt if necessary), and a truce on customary contests of bargaining power and pressure among the interest groups. The committee looks upon the present freeze of wages and prices as a stopgap measure to halt the spiral that was distorting the balance of industrial prices, agricultural prices, and wages. The committee warns that price control must be backed by allocations in many directions and some rationing, and must have far better support from fiscal, credit, and debt management policy if it is to have a chance of survival.

The committee says of the recently imposed direct controls of prices and wages, "We see no point in debating the necessity of that decision, although we believe that had an adequate fiscal and monetary policy been pursued, we might have been able to work out a control system on a selective basis."

As for taxation policy, the committee of economists believes, "It is both possible and necessary to depend on taxation to finance the defense expenditures and to remove the bulk of the inflationary pressure. Direct controls are not a substitute for adequate taxation."

Regarding the President's announced goal of $16 billion in new taxes as a "minimum objective," the committee says, "We believe that this objective can be reached by expanding existing methods of taxation. If in the future more revenue is required, the Federal government will have to resort to new broad-based taxation such as a retail sales tax. At the present time heavy increases in the corporate income tax, individual income tax and excise taxes are required."

The full report on *Defense without Inflation* by Albert G. Hart, containing the committee report, was published in April.

Dr. Hart and the committee are working on reports on several other aspects of "defense economics" which will be published in the near future.

Dr. Hart sees three main types of braking forces operating against inflation: faith in the dollar; lags in adjustment of outgo to receipts; and monetary-fiscal measures.

Faith in the dollar is very important, the author points out, in making people postpone or reduce purchases. "Unfortunately this stablizing force, which did a great deal for us in the 1940s, is weaker and more apt to fade out in the 1950s . . . A convincing demonstration that anti-inflation policy is working can recreate this stabilizer; but we cannot count on it to fill the holes in anti-inflation policy as it did in 1941-1948."

According to Dr. Hart, the factors making for lags in adjustment—delays in changing prices, in measuring income, and in deciding how to use income—have also been weakened by recent experience.

The third main type of braking force—and the only one that is stronger now than in the 1940s—is the effect of monetary and fiscal arrangements. Through reins on spending, increased tax rates, and limitation of monetary liquidity, we can keep inflation under control, Dr. Hart believes, if we are willing to adopt a stringent anti-inflationary program all up and down the line, including direct controls of credit and prices and rationing where necessary.—Twentieth Century Fund *News Letter*, Summer 1951.

Book Review*

Bradford, E. S. MARKETING RESEARCH. HOW TO ANALYZE PRODUCTS, MARKETS AND METHODS OF DISTRIBUTION. McGraw-Hill, 1951. 379 p. $5.00.

This new book will be equally useful as a work of reference and as a textbook. For classroom purposes it has an exceptionally well-balanced presentation of the problems and procedures relating to the research functions of marketing. The material in the book is presented in a very useful sequence, from emphasis upon the necessity for general understanding and appreciation of marketing problems to more specific study of research procedures, and finally to specialized application of research activity in distribution, with special attention to advertising research and economic analysis. The final section of the book, Part V, is composed of seven appendixes describing and evaluating some of the more well-known research efforts which are related to or which are directly in the field of marketing.

It is an exceptionally well-prepared book. One of its best features is the inclusion of ample chart, graph, and table illustrations of the procedures described and explained in the textual material. The author has not included, however, any discussion of mathematical or statistical calculations used in the analysis of market data, presumably for the reason that those who use this book should already be familiar, to some extent, with the mathematical tools necessary for distribution analysis. The book is a welcomed addition to the literature of marketing research.

* Reviewed by W. D. Richins, associate professor of business administration, University of Oregon.

CURRENT BUSINESS TRENDS IN OREGON

Lumber. The West Coast Lumbermen's Association reports that Oregon and Washington Douglas-fir sawmills cut nearly a billion more feet of lumber in the first six months of 1951 than during the corresponding period last year. However, the new orders currently being received are running behind 1950. Curtailment in building of new dwellings has become substantial in recent months and has had a depressing effect upon the price of many dimensions of lumber. The curtailment is due to government credit restrictions and higher interest rates. If building activity does not improve, the volume of lumber produced in the second half of 1951 will be less than that produced during the first half. The most recent statistics for the industry follow (figures in thousands of feet, board measure).

	June 1951	*May 1951*	*June 1950*
Average weekly production	222,431	234,375	206,077
Average weekly orders	172,333	215,967	212,197
Average weekly shipments	204,496	226,023	219,472
Unfilled orders, end of month	584,918	865,408	857,860
Gross stocks, end of month	798,343	694,922	594,367

Employment. June 1951 unemployment-compensation payments in Oregon were $310,416, less than half the $696,403 paid in June 1950. Not only was the total for the state less, but so was the amount paid to claimants living in each of the towns having a state unemployment office, with the exception of Bend. The payments to claimants in the Bend area were $22,093 this June and $7,752 in June 1950. The increase was due to a mill closure.

Despite vacations, suspensions of logging operations because of low humidity, and other summer influences that might adversely affect employment, the total of employed workers in Oregon continued to climb. Estimates of June nonfarm employment made by the State Unemployment Compensation Commission place the figure at 468,700, within 10,000 of the all-time high last August. The May 1951 figure was 452,500 and the June 1950 figure was 451,300. There is every reason to believe that the July total will show the usual seasonal gain over June.

Portland Department-Store Sales. The reason for the very large percentage decline in current department-store figures (shown below) is that comparison is made with a period of scare buying a year ago. The figures below show percentage changes in dollar sales for different periods in 1951 compared with the same periods of 1950:

	Week Ending July 14	*4 Weeks Ending July 14*	*Calendar Year to July 14*
Portland	−25	−11	+ 7
Los Angeles	−18	− 6	+ 6
San Diego	−21	− 7	+10
Oakland	−21	−10	+ 8
San Francisco	−14	− 4	+ 8
Seattle	−18	− 5	+12
Spokane	−18	− 4	+12
United States	−10	− 1	+ 8

Portland Food Prices. Average food prices rose sharply between mid-April and mid-May 1951, according to the food index computed by the Bureau of Labor Statistics. The May index was 252.1 (1935-1939=100), which was 1.4 per cent above April levels and 16.4 per cent above those of May 1950. Mainly responsible for this rise were increases in the price of eggs, beef, veal, fresh fruits, and vegetables.

Business Failures. During June 1951 there were two business failures in Oregon. One of these was a firm located in Portland; the liabilities involved totalled $14,000. The other, not in Portland, involved liabilities of $295,000.

Multnomah County Real-Estate Transactions. During June 1951, there were sales of real estate amounting to $9,034,217 in Multnomah County. Of these, 800 were residences, the total value of which was $6,632,718; 285 were vacant properties, $468,099; and 25 were business properties, $1,933,400.

	June 1951	*May 1951*	*June 1950*
Number of sales	1,110	1,204	1,286
Total value of sales	$9,034,217	$8,795,017	$11,317,379
Number of mortgages	1,109	1,146	1,503
Total amount loaned	8,568,409	7,492,628	9,562,059

BANK DEBITS

Bank debits represent the dollar value of the checks drawn against individual deposits. Payment for approximately 90 per cent of all goods, property, and services is by check. Bank debits are regarded as indicators of the general trend of business, though their value for this purpose may be impaired by substantial changes in the level of prices. The Bureau of Business Research collects bank debits from 119 banks and branches monthly. On occasion, the totals for the same month in different issues of the *Review* are not directly comparable because of necessary adjustments in basic data.

Marketing Districts	*Number of Banks Reporting*	*Debits May 1951*	*Debits Apr. 1951*	*Debits May 1950*	*May 1951 Compared with Apr. 1951*	*May 1951 Compared with May 1950*
Oregon	111	$1,207,182,355	$1,134,295,058	$941,518,005	+ 6.4%	+28.2%
Portland (Portland, Hillsboro, Oregon City, etc.)	31	754,647,060	700,261,524	579,851,197	+ 7.8	+30.1
Lower Willamette Valley (Salem, McMinnville, etc.)	14	79,950,884	83,041,606	69,451,078	− 3.7	+15.1
Upper Willamette Valley (Albany, Corvallis, Eugene, etc.)	16	130,868,829	119,727,900	101,867,123	+ 9.3	+28.5
North Oregon Coast (Astoria, Tillamook, etc.)	5	24,426,619	23,083,655	20,238,326	+ 5.8	+20.7
Douglas, Coos Bay	7	41,071,010	39,228,242	33,157,783	+ 4.7	+23.9
Southern Oregon (Ashland, Medford, Grants Pass)	6	53,820,607	49,138,553	41,541,160	+ 9.5	+29.6
Upper Columbia River (The Dalles, Hood River, etc.)	7	19,017,767	18,492,562	14,755,540	+ 2.8	+28.9
Pendleton area	6	21,306,315	23,724,439	16,801,137	−10.2	+26.8
Central Oregon (Bend, Prineville, Redmond)	5	22,235,378	21,785,543	19,318,763	+ 2.1	+15.1
Klamath Falls, Lakeview area	5	33,314,742	27,908,756	23,919,110	+19.4	+39.3
Baker, La Grande area	4	12,388,202	12,284,009	10,280,989	+ 0.8	+20.5
Burns, Ontario, Nyssa	5	14,144,942	15,618,269	10,335,800	− 9.4	+36.9

BUILDING PERMITS

Building permits give an indication of building operations planned rather than actual construction under way. Care must be taken, in interpreting these data, to allow for the lag which may elapse between the issuance of the permit and the beginning of actual construction. The data have been collected by the Bureau of Business Research.

	New Residential May 1951	*New Non-residential May 1951*	*Additions, Alterations & Repairs May 1951*	*Totals May 1951*	*Totals Apr. 1951*	*Totals May 1950*
Astoria	$ 35,483	$ 22,000	$ 7,900	$ 65,383	$ 40,623	$ 39,187
Baker	85,000	4,720	6,200	45,920	107,200	146,450
Bend	10,000	800	5,800	16,600	59,203	68,820
Coos Bay	84,716	331,418	15,000	431,134	89,180	153,508
Corvallis	77,000	3,100	64,690	144,790	126,560	244,848
Eugene	236,500	57,750	56,390	350,640	665,921	609,405
Grants Pass	60,015	50,490	8,685	119,190	331,337	105,730
Klamath Falls	81,500	4,850	28,925	115,275	134,630	126,544
La Grande	12,000	425	6,045	18,470	20,005	66,245
Medford	104,900	58,932	18,869	182,701	230,729	741,485
Oregon City	17,200	300	5,620	23,120	95,885	43,500
Portland	2,079,975	1,083,070	750,265	3,913,310	4,055,335	9,253,845
Roseburg	69,000	3,800	22,610	95,410	58,529	278,95[illegible]
Salem	389,050	511,403	117,151	1,017,604	462,596	520,93[illegible]
Springfield	62,000	4,050	7,175	73,225	193,635	280,060
The Dalles	64,200	14,325	15,500	94,025	65,290	118,195
15 other communities	281,900	278,000	82,915	642,815	473,441	609,805
Totals	$3,700,439	$2,429,433	$1,219,740	$7,349,612	$7,210,099	$13,407,521